

Payroll Deduction Rule Update

November 2005

L&I updated the payroll deduction rules to:

- **Clarify when payroll deductions may be made**
- **Ensure consistency with state and federal law**
- **Allow adjustments for overpayments**
- **Specify when a deduction cannot go below minimum wage**

The new rules become effective Jan. 1, 2006.

What is the issue?

The original payroll deduction rule, WAC 296-126-025, was adopted in 1974 and has never been revised. The rule is used by employers who need to know when they may make deductions from employees' pay.

L&I updated the rule for clarity and consistency with state and federal law.

Why did the rule need to be updated?

In 1993, the Supreme Court affirmed that the payroll deductions allowed under RCW 49.48.010 were applicable only to the final wages upon termination of employment. Since 1995, the department has been consistently and correctly applying the deduction statutes to the payroll deduction rules.

The rule update was necessary to ensure employers understand and correctly apply the payroll deduction laws.

The new rules clarify when an employer can make deductions from an employee's final paycheck upon termination, during ongoing employment, or when overpayments occur. It also clarifies when a deduction may not be taken from minimum wage.

The new rules are consistent with all applicable statutes and the Supreme Court decision.

What has L&I done so far?

The department has worked with the Employment Law Advisory Committee (ELAC) and other stakeholders in the development of the new payroll deduction rule. The department held three public hearings in July 2005 and based on testimony, made further changes to the proposed wording. An additional public hearing was held in November 2005.

The new rules become effective Jan. 1, 2006.

For more information:

Please contact Janis Kerns, Industrial Relations Specialist, at (360) 902-5552 or kerj235@LNI.wa.gov or Sally Elliott, Legislative and Rules Manager, at (360) 902-6411 or yous235@LNI.wa.gov.

